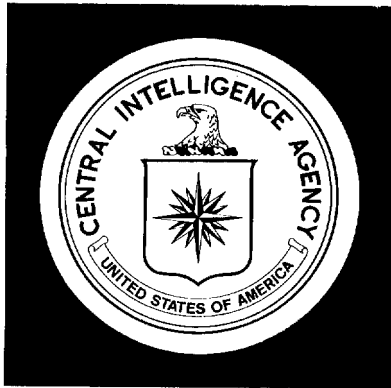


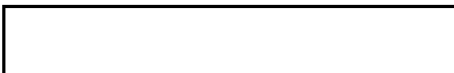
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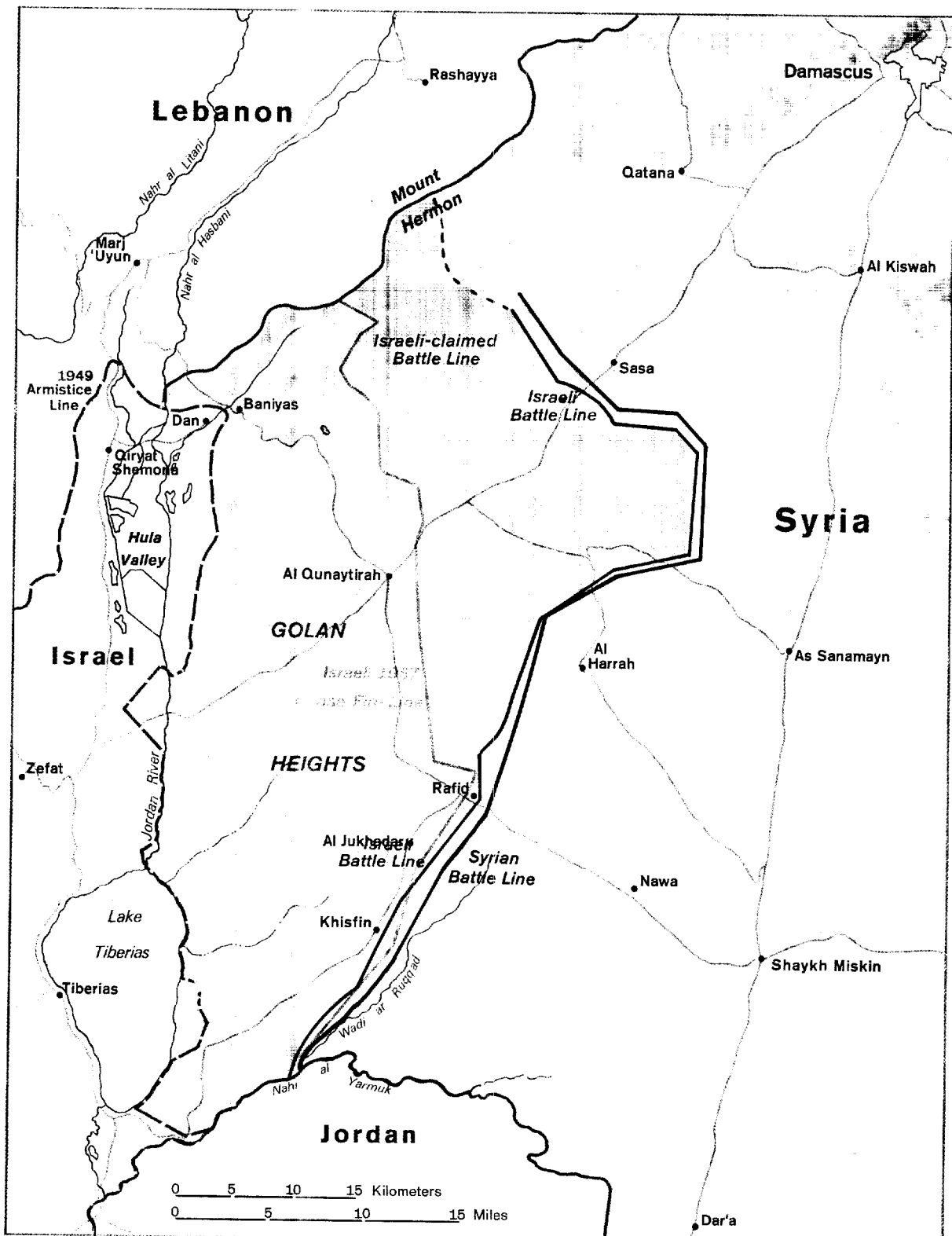
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ISRAEL-SYRIA: Israeli aircraft attacked Syrian targets in the Mount Hermon area yesterday, but fighting on the Golan front generally remained at the moderate level of the previous few days.

Israeli military authorities reported that the air strikes were aimed at preventing Syria from completing a road to the ridge line on Mount Hermon. Completion of the road would enable Damascus to move armor and artillery to the top of the mountain. Israel has already completed a road into the area.

The Israelis apparently occupy most of the dominant peaks on Mount Hermon, including the highest peak. These positions afford excellent observation into Syria, southern Lebanon, and the northern portion of the Israeli-occupied Golan Heights. Both Damascus and Tel Aviv have also deployed troops on the Lebanese side of Mount Hermon in attempts to gain the upper hand in that area.

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According to press reports from Beirut, Syria is using "multi-headed" surface-to-air missiles recently received from the USSR. Although this system was not further identified, it seems to resemble the SA-7

Each one of these vehicles has four launchers. This system is just entering the Soviet inventory.

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EUROPEAN COMMUNITIES: The EC foreign ministers seem to have improved the atmosphere in the community at their informal meeting in West Germany last weekend. They decided to resume work on a report due by the end of 1975 on "European union," and they agreed that political consultations with the US should not be formalized.

The informal nature of the session apparently facilitated frank discussions among the eight ministers present--the caretaker Belgian Government was not represented. This was particularly evident in the dialogue on European union. Although Foreign Minister Callaghan said he was not opposed per se to the goal of union by 1980, he commented that he still was not sure what the concept meant. The others tried to clarify the notion primarily by echoing Foreign Minister Jobert's recent statements.

The discussion generally envisaged that national states and borders would be retained but, above the national level, there would be a "federal or confederal level entailing both integration and intergovernmental cooperation." A European government with independent powers would have a parliament composed of a house of states and a house of the peoples. Only EC Commission President Ortoli expressed concern that such a concept would mean that, in the process, existing institutions would be subsumed under broader institutions. Ortoli believes that integration would tend to be sacrificed in favor of intergovernmental cooperation.

Although this discussion was inconclusive, it cleared the way for starting work again on the European union report and exposed the UK to its partners' thinking on the future evolution of the community. Callaghan came away with the feeling that, because there is no specific plan in the minds of the other EC members, the British would be able to exert considerable influence on the development of the concept of union.

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On consultations with the US, the French seem to have backed away somewhat from their previous insistence that the Nine could consult only after reaching unanimous agreement among themselves. They agreed that the Nine should use bilateral channels fully and multilateral channels on occasion in consultation with the US on EC issues. A senior British official cautioned yesterday that the new EC attitude is still tentative and could be reversed if the US should press for a more explicit commitment. The EC members have rejected the "organic" link to the US which has been suggested by Washington.

No extensive discussions were held on the EC proposal to offer wide-ranging cooperation to the Arabs, reportedly because of the continued Arab oil embargo against the Netherlands and Denmark. On April 21, however, Chancellor Brandt in Algiers characterized his talks there as the beginning of a European-Arab dialogue. EC leaders have still not decided on the form and specific content of this dialogue.

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UNITED KINGDOM: The Labor Party's showing in local elections scheduled for early May could determine whether Prime Minister Wilson calls an election in June. Labor's left wing is pressing for an early election in the hope that the government, with an improved parliamentary position, could begin to fulfill party pledges.

Labor leaders believe they must find a plausible issue for a no-confidence vote; party whips are saying bluntly that they would be delighted to lose any vote. They fear, however, that the electorate will be antagonized if the party blatantly contrives defeat.

Tory whips, on the other hand, are expected to go to great lengths to keep the government in power. They reason that the longer Labor stays in, the more disenchanted the electorate will become with the government's inability to cope with inflation and anticipated labor problems. The Tories have gone so far as to indicate that, even if a vote were scheduled on an issue that they firmly oppose, such as nationalization, they would persuade 20 or 30 Tory members of Parliament to leave the country temporarily in order to keep the government in power.

Proponents of an election in June point out that:

--Labor is well ahead in the opinion polls--a 16-percent lead in the latest test. The recent land scandal seems to have had little effect on the government's standing.

--Labor members of Parliament report that their constituents are pleased with the party's performance thus far.

--The government will be faced with substantial wage demands in late summer and fall and it may not be able to cope with the unions any better than the Tories. Prices, too, are likely to rise.

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--By not holding an election before the likely deterioration of the economic situation, Labor risks turning the decision on the timing of the election over to the Tories who would call one when they believe they are strong enough to defeat Labor.

There is some Labor opposition to an election in the near future. One junior minister recently commented that many Labor members of Parliament are enjoying the feeling of power and "the last thing they want to do is to go trudging around knocking on doors again for three weeks."

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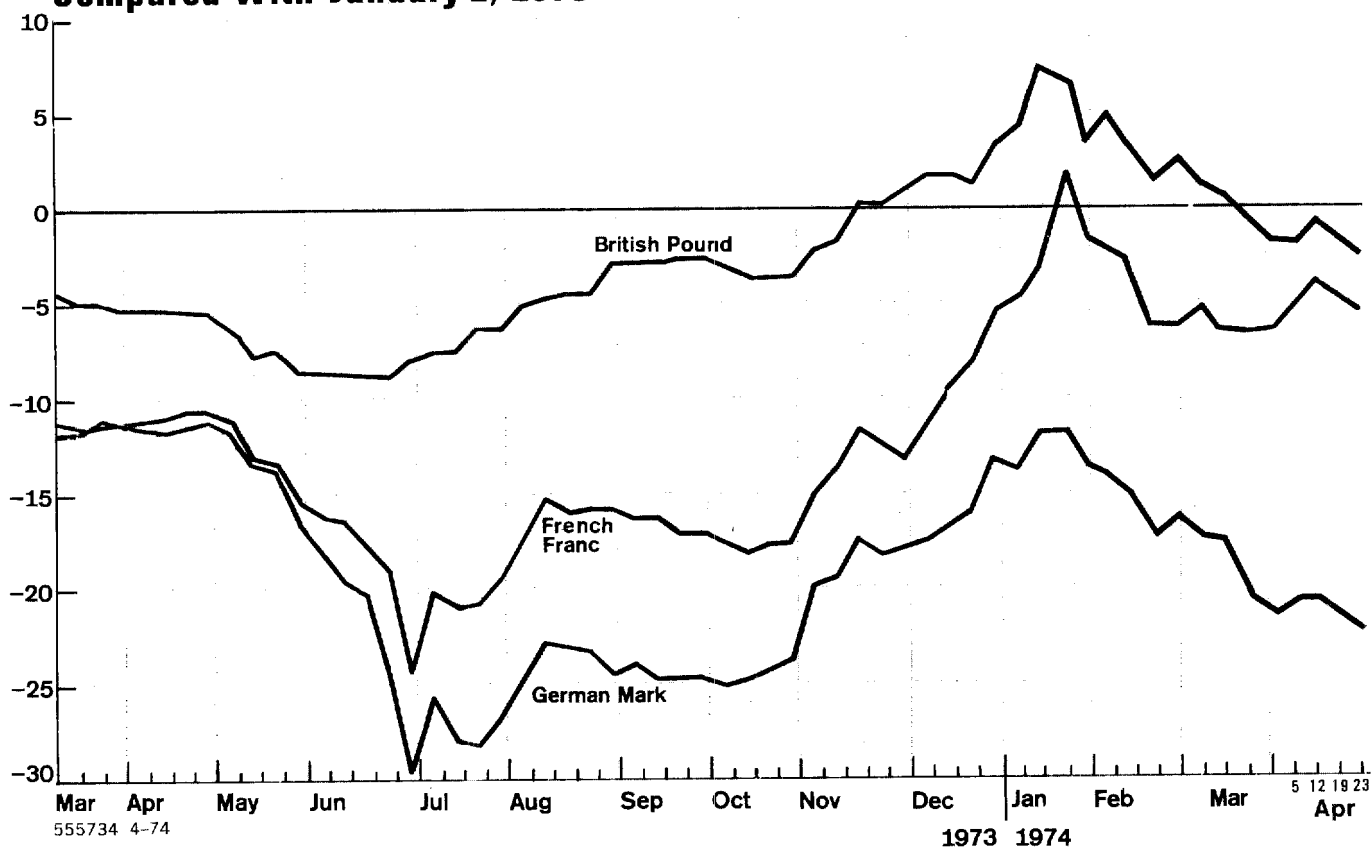
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**Percent Change In the Value of Selected  
Foreign Currencies Relative to the US Dollar  
Compared With January 2, 1973**



INTERNATIONAL MONETARY DEVELOPMENTS: The dollar declined sharply in heavy trading against major European currencies yesterday. The five joint float currencies all rose more than 1 percent against the dollar, while the pound and French franc rose by about a half percent. Speculation that Bonn would soon announce a record trade surplus for March reinforced rumors of a mark revaluation and was a major factor strengthening joint float currencies.

Bonn intervened to protect the joint float as the mark rose to the top of the band, while the Belgian franc and Norwegian crown fell to the bottom. The Bundesbank also bought \$10 million yesterday to slow the dollar's decline.

The West German Government continues to be preoccupied with inflation and it will therefore probably not intervene heavily to prevent further appreciation of the mark. Other joint float currencies and the Swiss franc will follow the mark's trend.

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CANADA-EC: Ottawa's continued pursuit of a trade agreement and a political declaration with the EC is part of the Trudeau government's efforts to diversify and strengthen Canada's international contacts. The object of these efforts is to lessen Canada's economic dependence on the US and to contribute to the development of a distinct national identity vis-a-vis the US.

The Canadians have recently followed up earlier informal lobbying among individual EC members with a formal demarche on Canadian-EC relations to West German Foreign Minister Scheel, the current chairman of the EC Council, and EC Commissioner Soames. Ottawa is primarily interested in the commercial arrangement and apparently views a declaration outlining the political principles of the EC-Canadian relationship as a "cosmetic compromise." A high-level Canadian trade delegation is engaged in discussions with the Commission in Brussels.

Despite Canadian efforts to keep up a steady pace, over the past few months the dialogue with the EC appeared to slow down so as not to move faster than the US-EC talks. The EC may still be inclined to delay agreement on a declaration for that reason, but Prime Minister Trudeau in early April told reporters that, "the bogging down of negotiations on a parallel declaration between the US and Europe should not affect the Canadian-EC talks." He also strongly hinted that he would make a European tour in the near future that could culminate with the signing of a declaration with the Nine.

The EC has opposed a commercial agreement with Ottawa, maintaining that it is unnecessary because such relationships are governed under GATT. Ottawa officials, however, believe that Canada's trading relationship with the EC should not rest solely on GATT rules. They feel that the last two rounds of multilateral trade negotiations have had little impact on reducing non-tariff barriers and obstacles to agricultural trade--areas of particular interest to Canadian exporters.

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Ottawa is seeking an accord with the EC presumably tailored to the Canadian goal of exporting more processed goods. A commercial agreement could also attenuate the adverse effects on UK-Canadian trade caused by Britain's entry into the EC.

The EC Nine have become increasingly interested in defining their overall relationships with various parts of the world. Paris seems to have given the initial impulse to the current Canadian-EC effort. During the drafting of US-European declarations in the EC and NATO, Ottawa was concerned that it might merely be treated as a satellite of the US. French Foreign Minister Jobert played on Ottawa's concern, suggesting last fall that the Canadians should insist on their own declaration. West German Foreign Minister Scheel soon thereafter agreed in principle to support a separate Canadian-EC declaration.

One draft under consideration evidently represents a blend of EC and Canadian views. For the EC, it recalls common historical ties and emphasizes common democratic processes, the Atlantic alliance, and the need to aid developing countries. For Canada, it calls for increased trade and greater cooperation in energy, telecommunications, space, environment, and peaceful uses of nuclear energy.

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\*BELGIUM: Leo Tindemans succeeded yesterday in patching together a minority coalition of his own centrist Social Christian Party and the rightist Liberal Party. The coalition will probably be transitory, leading to a later association with other parties or to another early election.

Tindemans is only two votes short of a majority, but the coalition parties are divided by internal schisms along linguistic lines. To survive, he will have to garner support from the Socialists or other opposition parties.

The Socialists, the second largest party in parliament, appear dominated by a faction that wants to remain in opposition for the time being. They have repeatedly declared their unwillingness to join another coalition with the Liberals and have already warned Tindemans they will be "tough and unyielding" in opposition.

The linguistic parties are unacceptable coalition partners to the Wallonian wing of the Social Christians, who worry that the separatism the linguistic parties want would pose a serious threat to the long-term survival of the Belgian state. The Wallonian Social Christians might, however, accept their support temporarily to keep the coalition afloat.

While it lasts, Tindemans' government will not change Belgium's established foreign policies, including that toward the US. Tindemans could form his cabinet today and present a program to parliament next week. His tottery government will immediately face a host of difficult and emotional issues, including inflation, buying a new military aircraft, and fixing a regional boundary for Brussels.

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\*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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